



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

June 13, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

RESPONSE TO BOARD ITEM NO. 73

At the Board of Supervisor's meeting on June 4, 2008, your Board requested that the Chief Executive Office report back in two weeks on issues surrounding the In-Home Supportive Services (IHSS) program in the Department of Public Social Services. My Office was specifically asked to report on the communication process between the County and the Personal Assistance Services Council (PASC), the employer of record for IHSS providers. In addition, your Board requested information on the Governor's proposal to reduce the State's participation in IHSS to the minimum wage.

In response to this and other requests for information, my Office has prepared the attached IHSS fact sheet which gives an overview of the program, the cost increases, funding, the Governor's proposal, and additional issues.

If you have any questions please contact me, or your staff may contact James Blunt at (213) 893-2291.

WTF:SRH:MS
GP:JB:cvb

Attachment

73.bm

In Home Supportive Services

Fact Sheet

Background

The Department of Public Social Services' (DPSS) In Home Supportive Services (IHSS) program provides supportive services to the aged, blind and disabled who are unable to perform all of the personal and household services needed to maintain independent living and who cannot remain safely in their own homes unless such services are provided.

Issue

IHSS is a rapidly growing program requiring an increasing amount of funding. Factors contributing to the growth of the program are caseload increases, increases in the hours per case and provider wage increases. The providers' union, SEIU Local 6434, is currently negotiating wages and the agency fee agreement. The union has also expressed interest in taking over the administration of the IHSS provider Health Care Plan whose current provider is the Community Health Plan (CHP), in the Department of Health Services' (DHS) Office of Managed Care.

This fact sheet provides information regarding IHSS providers, costs and funding, as well as the Governor's 2008-09 Budget proposals. It also provides information about the Health Care Plan, State Sales Tax Realignment revenue and the union's proposal for wage increases.

What is the role of the Personal Assistance Services Council?

IHSS providers are not County employees. Each IHSS consumer hires the provider of their choice and therefore, each IHSS consumer is the employer of his/her own IHSS provider. In 1997, the Board approved the formation of the Personal Assistance Services Council (PASC). The PASC meets the requirements of an IHSS public authority and is the IHSS employer of record for the County. Subsequently, in 1999 the State mandated that each County have an employer of record for IHSS providers.

As the employer of record for the County's IHSS providers, the PASC negotiates with the providers' union and administers the PASC-SEIU Homecare Workers Health Care Plan for IHSS providers. In addition, the PASC has formed a registry of IHSS providers that consumers may choose from. IHSS consumers are then able to select a provider from the PASC registry or from the community. Sixty-seven percent of IHSS consumers select a family member as their IHSS provider. PASC communicates regularly with the CEO, providing ongoing status updates on union negotiations.

Costs

IHSS provider timecards are processed by DPSS clerks and the information is transferred to the State payroll system. The State pays the providers, then claims the federal revenue and bills the counties. The County does not directly receive the federal or State revenue, so the IHSS budget only reflects the County's share of costs for the program, which is approximately 17.7 percent of the total cost.

The 2008-09 Proposed Budget reflects the County's share of the IHSS provider wages as \$317.5 million. This amount is currently being reevaluated, as there have been additional increases in the program through the end of the fiscal year, and may be increased during the Supplemental budget phase.

In the past ten fiscal years, from 1997-98 through 2006-07, IHSS costs have tripled from \$89.4 million to \$268.5 million.

Why are costs increasing?

Caseload

In 1993, IHSS became part of the Medi-Cal program and began receiving a federal share of costs. The federal share is currently 50 percent of total cost. However, when IHSS became part of Medi-Cal, it also became an entitlement program, thus eliminating the ability to control the caseload.

Wage Increases

In addition, the State's employer of record mandate had a direct impact on provider wages. In a 2002 report, the California State Association of Counties (CSAC) drew a direct correlation between the establishment of public authorities and increasing provider wages, stating that this gave providers new opportunities to collectively bargain.

In the ten years beginning July 1997, the IHSS wage has increased by 80 percent. Two wage increases were due to increases in the State minimum wage. However there have been six negotiated wage increases for IHSS providers as follows:

\$6.25 effective September 1999
\$6.75 effective November 2000
\$7.50 effective November 2002
\$8.10 effective November 2004
\$8.45 effective November 2005
\$9.00 effective April 2007

The State's minimum wage is currently \$8.00 per hour and the County's IHSS wage is \$9.00 per hour. The net County cost (NCC) associated with the portion of the County's IHSS wage above minimum wage, is \$34.8 million.

Hours per Case

There has also been a steady increase in the hours per case per month. When a person applies for IHSS, a DPSS social worker interviews the applicant in his/her home to assess the person's needs. The social worker uses a schedule prepared by the State, which serves as a guideline to assess how many hours of IHSS services the applicant should receive. In the majority of cases, the social worker follows these guidelines. However, if a social worker believes a different number of hours should be granted, they must document the reasons for their assessment in writing.

Some consumers use the IHSS program for a limited period of time, due to a short-term disability or during rehabilitation from a serious injury. However, the majority of IHSS consumers are either aged or have a permanent disability. These consumers often need progressively more care as time passes.

Cumulative Effect

From 1997-98 through 2006-07, the IHSS caseload almost doubled, increasing by 98.3 percent, from 82,196 cases to 162,989 cases. In the same ten year period, the number of hours per case rose 19.9 percent, from 68.5 hours per case to 82.1 hours per case. As of April 2008, the caseload was 171,666 cases and the hours per case were 83.2 hours per case.

As previously stated, the County's costs more than tripled during this ten year period, from \$89.4 million to \$268.5 million, due to the compounding effect of increasing caseloads, hours per case and wages. The current estimate for 2007-08 is \$295.0 million, and as stated above, the Proposed Budget for 2008-09 is \$317.5 million and is subject to increase.

Sales Tax Realignment Revenue

In 1991, the State increased county responsibility for several programs, including IHSS. To fund these programs, the State established a one-half cent sales tax as a dedicated funding stream commonly referred to as Realignment revenue. The County's 2008-09 Proposed Budget reflects \$878.5 million of Sales Tax Realignment revenue divided into three accounts; health services (\$131.3 million), mental health (\$257.4 million) and social services (\$489.8 million). Funding from the social services account is distributed at the County's discretion towards specific social services programs in the DPSS and DCFS budgets. In the 2008-09 Proposed Budget, the social services Realignment revenue was allocated to the IHSS (\$254.8 million), Foster Care (\$154.8 million), Adoptions (\$24.8 million), CalWORKs (\$10.2 million) and Seriously Emotionally Disturbed Children (\$8.0 million) programs and DCFS Administration (\$37.1 million).

SEIU Local 6434 has often argued that IHSS wage increases have no impact on the County, because IHSS is completely subvented by Realignment revenue. This statement is not true. In the past ten years, from 1997-98 through 2006-07, the State's sales tax collections have increased 56 percent. During the same period, the County's Realignment collections for social services increased 85 percent, representing a shift of funds from other counties. However, as stated above, in the last ten years, the County's IHSS costs have tripled.

In 1997-98, the County allocated 7.1 percent of the social services Realignment revenue to IHSS. In the 2008-09 Proposed Budget, 52.0 percent of the social services Realignment revenue is allocated to the IHSS budget, and yet the program will still have NCC of \$62.8 million, not including the provider Health Care Plan.

In its 2002 report, CSAC reported:

As caseload continues to grow in the realigned programs and Realignment funding does not keep pace, counties will have insufficient funding for these programs. It is conceivable that in the future, IHSS costs could consume the funding for other realigned programs.

and

IHSS is creating significant cost pressures within Realignment. It appears that Realignment will have difficulty keeping pace with the dramatic cost growth in the IHSS program. The extraordinary growth threatens the array of safety net services in health, mental health and social services arenas. It is no longer a question if IHSS costs will devour funds for other entitlement programs within Realignment, but a question of when – and when will it devour the health and mental health programs, too.

Therefore, during this period of economic uncertainty and especially because this revenue is derived from the State sales tax, it would not be prudent to increase the IHSS wage with the expectation that Realignment revenue will be sufficient to cover the resulting cost increase.

Union proposal

SEIU Local 6434 proposes a \$2.50 wage increase over three years, comprised of a \$1.00 increase the first year, and a \$0.75 increase each of the following two years. Assuming the currently projected 2008-09 caseload and hours per case, the \$1.00 increase would cost the County an additional \$34.8 million annually and the \$0.75 increases would each cost an additional \$26.1 million per year. Therefore, after the third year, the total additional ongoing cost to the County would be \$86.9 million.

Health Care Plan

In April 2002, the PASC-SEIU Homecare Workers Health Care Plan was implemented to provide health care services to IHSS providers. Providers who work 80 hours or more in two consecutive months are eligible for the plan. The PASC administers the plan, and sends an enrollment package to providers as they become eligible. Through January 2008, 80,243 IHSS providers (59 percent) were *eligible* for the Plan. It is projected that 32,817 total providers will be enrolled in the plan in 2008-09 at a cost of \$102 million.

DHS manages the Community Health Plan (CHP), a publicly operated Knox-Keene licensed health care plan and federally-qualified Health Maintenance Operation. CHP currently provides health care coverage for several plans and programs, including the PASC-SEIU Homecare Workers Health Care Plan for IHSS providers.

The County is able to provide this service to the IHSS providers due to the revenue stream it provides to DHS for the health plan benefits. DPSS pays \$102 million to DHS for the Health Care Plan. DPSS then claims this amount and receives 82.3 percent in State and federal revenue. The remaining 17.7 percent is NCC. DHS transfers the NCC to DPSS, to cover the County's share of costs. The Plan is financially viable because the revenue the County receives allows DHS to cover their costs for the program. If the union were to administer the plan and select a non-County provider, the plan would become much more costly for the County, because the cost would not be a reimbursable cost to DHS and would affect the County General Fund.

Governor's 2008-09 Budget Proposals

The Governor's Proposed Budget and May Revision contain three proposals that would impact IHSS:

Reduced State participation in wages

The Governor's Proposed Budget proposes to reduce the State's participation in IHSS wages, to the minimum wage of \$8.00 plus \$0.60 for benefits. Currently, the State participates in the combination of IHSS wages and benefits up to \$12.10 per hour. The County is paying a wage of \$9.00 per hour with benefits of \$0.55 per hour.

Should the Governor's proposal be enacted, based on the County's agreement with the PASC and the PASC's agreement with the union, the County's IHSS wage would be automatically reduced to minimum wage. This reduction would result in NCC savings of \$34.8 million. Fully restoring the wage to the current level of \$9.00 per hour would cost the County \$64.8 million.

Reduced services

The May Revision proposes to eliminate domestic and related services for high functioning IHSS consumers which would result in the loss of domestic and related services for approximately 35,000 IHSS consumers in Los Angeles County and an estimated net County cost savings of \$10.4 million.

Reduced IHSS administration funding

The Governor's Budget proposes to reduce IHSS county administrative funding ten percent which would result in an estimated County loss of \$7.6 million.

The Senate and Assembly budget committees rejected the Governor's proposals to reduce State participation in IHSS provider wages and IHSS services. The Senate Budget Committee rejected the proposed reduction to county administration funding. The Assembly Budget Committee adopted the Governor's proposal to reduce county administrative funding and added budget trailer bill language to suspend the county requirement to conduct IHSS focused eligibility reviews. This issue will be heard in the Budget Conference Committee.